

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY SANTIAGO IMMEDIATE

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FOLLOWING REPEAT LA PAZ 6601 SENT ACTION SECSTATE NOVEMBER 1:

QUOTE

C O N F I D E N T I A L

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E.O. 11652: N/A

TAGS: ETRD, BL

SUBJ: BOLIVIAN COTTON CONTRACTS

REFS: (A) LA PAZ 6376; (B) LA PAZ 6344

1. IN CONSULTATIONS WITH EMBASSY COOK REPS FRIEDMAN AND BARNETT DECIDED WAIT FOR RETURN OF MINAG RATHER THAN PRESS FOR METTING AS AGREED EARLIER ON OCTOBER 31. (MINAG HAD TRAVELLED TO BENI AND PANDO AND SUB-SECRETARY MININD/COM TO COCHABAMBA). WHEN MINAG, WHO HAD ORIGINALLY BEEN EXPECTED RETURN TO LA PAZ ON OCTOBER 29, DID NOT RETURN AT 8:00 A.M. ON NOVEMBER 1 IN ACCORDANCE WITH REVISED SCHEDULE, ECONOFF CALLED SUB-SECRETARY ZAMORANO WHO AGREED TO MEET WITH COOK REPS AT 11:00 A.M. NOVEMBER 1.

2. MININD/COM SUB-SECRETARIES ZAMORANO AND PEREIRA AND PRESIDENTIAL
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ECONOMIC ADVISOR GASSTON VILLA WERE PRESENT ON BOLIVIAN SIDE.

FRIEDMAN AND BARNETT REPRESENTED COOK; MICHAEL LEGGE AND LAWRENCE PRESTON REPRESENTED RALLI (NEITHER COOK REPS NOR ZAMORANO OBJECTED TO JOINT DISCUSSIONS WITH RALLI); ANTONGNELLI (LA PAZ CONTACT MAN) REPRESENTED BOTH COOK AND RALLI. IT WAS DECIDED ECONOFF SHOULD ATTEND FIRST SESSION IN HOPES HIS PRESENCE WOULD HELP PREVENT BACKTRACKING FROM EXPLICIT AND IMPLICIT UNDERSTANDINGS REACHED IN EARLIER MEETINGS WITH MINAG AND MININD/COM. COUNSELLOR UK EMBASSY JOINED LAST HALF HOUR DISCUSSIONS (MEETING LASTED FROM 11:15 A.M. UNTIL 1:00 P.M.).

3. MEETING BEGAN WITH GOB REPS CHARGING THT COOK AND RALLI WAGING DEFAMATION CAMPAIGN, SHOWING AS EVIDENCE AD PLACED BY THEM IN LA NACION OF BUENOS AIRES WHICH WARNED POSSIBLE COTTON BUYERS AGAINST BUYING BOLIVIAN COTTON ALREADY SOLD TO COOK, RALLI MITSUI AND MITSUBISHI AND ADVISING THAT LEGAL PROCEEDINGS HAD BEEN INITIATED TO PREVENT SALE OF SUCH COTTON TO THIRD PARTIES. GOB REPS REPEATED EARLIER CHARGES THAT COOK'S PANAMANIAN SUBSIDIARY HAD NOT BEEN LEGALLY REGISTERED TO DO BUSINESS AND OFFERED IN EVIDENCE STATEMENT BY PANAMANIAN AUTHORITIES TO THAT EFFECT. GOB REPS ALSO CLAIMED IT HAD NOT BEEN AGREED IN EARLIER MEETING BETWEEN AMBASSADOR AND MININD/COM AND MINAG THAT (A) DISCUSSION WOULD PROCEED WITH UNDERSTANDING SALES TO COOK ON BASIS 1973 CONTRACTS WHILE FUTURE YEAR CONTRACTS WOULD "TAKE ALL FACTORS INTO ACCOUNT", AND (B) ADEPA WOULD CEASE TRYING TO SELL COOK'S COTTON TO THIRD PARTIES WHILE DISCUSSIONS PROCEEDING WITH COOK.

4. BARNETT ASKED WHETHER ADEPA REPS NOW IN SANTIAGO, CHILE STILL TRYING SELL COTTON TO THIRD PARTIES. GOB REPS REPLIED ADEPA COULD NOT SIT STILL AND LET COTTON DETERIORATE. ECONOFF RESTATED EMBASSY'S VIEW OF WHAT HAD BEEN SAID AT MEETING WITH MINAG AND MININD/COM ADDING THAT FORMAL INVITATION TO COOK REPS INDICATED ADEPA HAD ACCEPTED THESE GROUND RULES (SEE REFTELS). AT FIRST GOB REPS INDICATED ADEPA HAD NOT EVEN BEEN CONTACTED YET, BUT LATER ADMITTED GOB HAD SUGGESTED TO ADEPA IT CEASE TRYING SELL COTTON TO THIRD PARTIES. GOB REPS ARGUED 1973 COTTON CONTRACTS WERE ACCEPTED AS BASIS FOR BEGINNING DISCUSSIONS BUT THAT DID NOT MEAN ACCEPTANCE PRICE LEVELS SET IN THEM.

5. FINALLY, SUB-SECRETARY ZAMORANO PROPOSED SETTING ASIDE DISPUTED LIMITED OFFICIAL USE

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POINTS AND PROCEEDING TO CONSTRUCTIVE, EQUITABLE SOLUTION TO PROBLEM. REQUESTED THAT COOK AND RALLI REPS PRESENT CONCRETE PROPOSAL AT 3:30 P.M. MEETING AT WHICH ZAMORANO MADE CLEAR ADEPA REPS WOULD STILL NOT BE REPRESENTED.

6. WHEN EMBASSY LEARNED MINAG HAD RETURNED TO LA PAZ MEETING BETWEEN FRIEDMAN, BARNETT, AMBASSADOR AND ECONOFF ARRANGED WITH HIM MEETING FOR 3:00 P.M. IN HOPES PUTTING DISCUSSIONS ON BETTER

FOOTING. IN MORE AGREEABLE MEETING WITH MINAG, BARNETT PRESENTED COOK POSITION IN GENERAL TERMS EMPHASIZING DIFFICULTY AGREEING TO ANY CHANGE IN 1973 CONTRACT PRICE. MINAG ARRANGED MEETING SAME PARTICIPANTS WITH MININD/COM WHO SUGGESTED COOK AND RALLI REPS RETURN TO MEETINGS AT SUB-SECRETARY LEVEL. IT WAS AGREED TO MEET AT THAT LEVEL AT 5:00 P.M.

7. IN CASUAL CONVERSATION AS GROUP LEFT MORNING MEETING, MININD/COM ASKED ANTONGNELLI IF COOK COULD NOT ACCEPT \$0.40 PER POUND PRICE ON 1973 CONTRACTS.

8. COMMENT: MINAG CONTINUES PLAY MOST REASONABLE AND BENEVOLENT ROLE. OUR MAIN CONCERN IS THAT ADEPA IS STILL NOT DIRECTLY INVOLVED IN TALKS. AS ZAMORANO AT ONE POINT INDICATED WILLINGNESS MEET TOMORROW (EVEN THOUGH BOLIVIAN HOLIDAY) WITH ADEPA AS PARTICIPANT AND AS MINAG SHOWED DEFINITE EXPECTATION THAT ADEPA WILL PARTICIPATE WE HOPE THIS FLAW WILL BE CURED IN HOPED FOR DISCUSSIONS ON NOVEMBER 2. STEDMAN

UNQUOTE. KISSINGER

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